

CAPITAL PLANNING ADVISORY BOARD

Minutes of the 3rd Meeting of the 2006 Calendar Year

October 23, 2006

The 3rd meeting of the Capital Planning Advisory Board was held on Monday, October 23, 2006, at 10:00 AM, in Room 238 of the Cooperative Extension Building at Kentucky State University (KSU) in Frankfort. Senator Jack Westwood, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jack Westwood, Co-Chair; Representative Rick W Rand, Co-Chair; Senator David E Boswell; Bradford Cowgill; Paul Gannoe; John Hicks; Laurel True; Garlan Vanhook; and Melinda Wheeler.

Guests: Dr. Mary Sias, President, Kentucky State University; and Jim Abbott, Commissioner, and Ken Marks, Deputy Commissioner, Department for Facilities and Support Services, Finance and Administration Cabinet.

LRC Staff: Pat Ingram, Nancy Osborne, and Debbie Rodgers.

After welcoming those in attendance, Senator Westwood explained the role of the Capital Planning Advisory Board and thanked President Sias and her staff for hosting today's meeting on the KSU campus.

Senator Boswell's motion to approve the minutes of the July 24, 2006 meeting was seconded by Representative Rand. The minutes were approved by voice vote.

At Senator Westwood's request, CPAB Staff Administrator Pat Ingram reviewed the Information Item included in the members' folders. That item followed up on information presented at the July meeting relative to green buildings and sustainable construction. Ms. Ingram specifically referenced Executive Order 2006-1297, which directs that the Capital Planning Advisory Board be requested to develop or adopt recommended practices or guidelines incorporating energy efficiency and high performance criteria for the design and construction of all new government and public university buildings. As written, the order directs the Department of Education to make this request; however, CPAB staff has been advised that the order was intended to direct the Finance Cabinet to make the request. Other matters addressed in the Information Item were Executive Order 2006-1299 relating to reorganization of the Office of Energy

Policy, Kentucky's revised building code, the green roof at Sanitation District No. 1 in Ft. Wright, and proposed federal legislation relating to green buildings.

Senator Westwood next introduced KSU President Mary Sias who welcomed the Board. After introducing Marvin Mills, KSU Director of Facilities, President Sias directed members' attention to her PowerPoint presentation. She said KSU is proud that for the third year in a row, it has been selected as one of the best colleges in the southeast by *The Princeton Review*.

President Sias said the main campus is comprised of about 300 acres with 38 buildings. She noted that KSU and the University of Kentucky are the state's two land-grant institutions. As such, KSU receives federal support, which requires a state match. KSU is providing a 90 percent match this year; the match should increase to 100 percent next year.

Among the KSU initiatives described by President Sias were the statewide mission that is focused on small farms, the aquaculture program that has been designated as the institution's program of distinction and is one of the top five aquaculture programs in the country, the apiculture (beekeeping) program located on KSU's research farm near Frankfort, and the animal science program, which has increasingly focused on goats as an alternative to tobacco farming. She also discussed the university's environmental education center in Henry County.

President Sias next reviewed recent capital projects on the KSU campus. She said an \$8.2 million renovation of the Hill Student Center was funded in 1998-2000 and that a 2,500 SF area remains as a "white box" (unfinished) area. She noted that the initial project funding was inadequate to repair the roof on a portion of the building and that there are serious leaks that must be addressed.

Continuing to review recent projects, President Sias said the initial \$3.7 million funding for the interior renovation of Hathaway Hall had to be used instead to remove and replace the entire brick exterior. The additional \$12 million provided in 2004-06 and 2006-08 will be used for interior renovations. A \$5 million renovation of Carver Hall brought that science building up to current codes and standards. She said a recently completed project on the south campus included a facility with classrooms for the aquaculture program, as well as research ponds for the program. Finally, President Sias noted that minor renovations had been done to the current Young Hall facility, which houses male students.

With regard to upcoming projects, President Sias said KSU has received a National Park Service (federal) grant for renovations to Jackson Hall, which was the first building on the KSU campus and is on the National Register of Historic Places. The springhouse located on the south campus is eligible for a similar grant. Federal funds will

also finance a welcome center and apiculture lab at the research farm, land acquisition and expansion of the aquaculture ponds, a center for families and children, and a center for experiential learning.

President Sias said construction of the new Young Hall residence facility is now underway on the south campus and other new housing would also be constructed in this area. The desire is to construct a garage on the south campus with a walkway across US 60 to the main campus. The elevated walkway would replace the existing tunnel under the highway. She noted that to acquire the housing needed for anticipated and planned enrollment increases, KSU will have to establish a public-private partnership or seek additional bonding capacity.

Relative to KSU's capital needs, President Sias said \$6.5 million is needed for expansion of the Betty White Nursing Building. Due to construction materials price increases, the estimated cost is now more than the \$4.9 million sought in the last budget. She said it may be possible to obtain some federal funds by pairing this project with the center for experiential education. Additionally, \$7.0 million is needed for the proposed parking structure.

President Sias noted that KSU has a variety of maintenance needs including upgrades to sprinkler systems and signage, repairs to electrical switchboxes, and refurbishment of utility tunnels. She again specifically expressed concerns about roofs that lack sufficient slope such that water saturates the roof and soaks through to the structure and equipment inside the buildings.

With regard to the building condition study being done by consultants to the Council on Postsecondary Education (CPE), President Sias said their report will reflect a need at KSU for \$37 million to address deferred maintenance and capital renewal. She said new and different tactics will need to be developed to deal with the needs statewide.

President Sias said to address enrollment increases, KSU needs community and legislative support to obtain the additional housing and classroom space that are necessary. For example, KSU has added a Masters in Business Administration program and will need a new business building. Currently, the business and performing arts programs are housed in Bradford Hall, which has infrastructure problems and will need to be replaced. KSU would like to have its business and performing arts programs in separate facilities. She noted that the baccalaureate nursing program is now fully accredited and students are on the waiting list, but the current facility is not large enough to accommodate them. Deferring the project to expand the Betty White Nursing Building has increased its cost.

President Sias said the institution is making progress, and with some assistance KSU will be able to do great things.

In response to Senator Boswell's question about the exterior deterioration of Hathaway Hall, President Sias said the facility was constructed in the late 1970s. Because it is KSU's primary student building and due to the safety issues involved, \$3 million was spent to re-skin the building and replace windows, which had large gaps where weather was coming in.

Noting his work as Commissioner of Agriculture to initiate the KSU aquaculture program, Senator Boswell complimented President Sias and said she is doing a great job of making the General Assembly aware of KSU's programs.

Mr. True referenced President Sias' earlier comments about problems with a leaking roof on the recently renovated student center, then directed to Sherron Jackson, CPE Assistant Vice President for Finance, a question as to why a building with a bad roof would be renovated. Explaining that the Finance Cabinet's Department for Facilities and Support Services (DFSS) is responsible for managing KSU's capital construction program, Mr. Jackson deferred the question to DFSS Commissioner Jim Abbott.

Commissioner Abbott responded that roof maintenance is an item that must consistently be addressed on all campus and state government facilities. He said agencies that administer facilities are currently being surveyed to collect information about the condition of roofs, facades, and other building systems. Additionally, DFSS is working to have the Department of Insurance do a physical inspection of buildings in conjunction with the appraisal updates they do for insurance purposes every three years.

Commissioner Abbott confirmed President Sias' comment that on the KSU student center, the roof was addressed in the area of the new construction, but only a temporary fix was done to the roof on the rest of the structure.

In response to Mr. True's question, Commissioner Abbott said the state obtains a 20-year warranty when roof systems are installed. However in a large operation like state government, construction problems sometimes arise such that a roof does not last the entire period of the anticipated useful life.

Commissioner Abbott said that if the KSU student center roof problem has escalated to the point where emergency funds are needed, those funds can be requested. President Sias explained that water is streaming down the walls, the carpet is damaged, and she has concerns about the development of mold and mildew but KSU does not have the resources to undertake a repair project costing \$200,000 or more.

Mr. Vanhook noted that a \$400,000 roof problem can become a multi-million renovation project if it is not addressed on a timely basis. He added that the state cannot afford to not fund its deferred maintenance needs.

Mr. Hicks congratulated President Sias on KSU's recent enrollment increases. He noted that housing and dining operations at Kentucky's public universities are usually self-sustaining through the fees that are charged to students for the services and asked what analysis KSU has done relative to financing the construction of additional dormitory space using this mechanism. President Sias said that after paying operating costs, KSU would not have sufficient funds remaining to pay debt service on bonds that would be issued to finance a dormitory. There will have to be a public/private partnership where another entity would finance the construction.

Senator Westwood congratulated KSU on its growth, but noted that growth can also bring problems. In order to meet the CPE's enrollment goals for 2020, he asked whether KSU has a greater need for dormitory space or classroom space. President Sias said both are issues. If no programs are added, there is adequate classroom space for more students now but a new classroom building will be needed in three or four years. One approach may be to build new dormitories and renovate for classroom use one or more of the current dormitories (e.g., Kentucky Hall, Chandler Hall) that are no longer appropriate for that function. She noted that systemwide, there is going to be a need for more infrastructure to handle the large increase in students called for by the 2020 goals.

Returning to the issue of maintenance, Senator Westwood asked whether part of the problem is project specifications allowing for less expensive materials such that bidders using those materials submit the low bids and are selected, and the state has to deal with the resulting repair costs later. Commissioner Abbott said he does not think that is the case, rather that occasionally on a project there may be poor workmanship or substandard materials. However, he said Kentucky is very fortunate relative to having quality architects and engineers, a good bid climate that produces competitive bids, and a lot of quality people in the construction business.

In response to further questions from Senator Westwood about warranties on construction, Commissioner Abbott said there is a one-year warranty on the entire project by the general contractor from the date of substantial completion and individual components may have separate industrial warranties such as the 20-year roof warranty. He said there are instances where problems occurred after the warranty period and contractors have still been willing to address them at no additional cost to the taxpayer.

Senator Boswell asked if there is any monitoring of building construction similar to that done in the private sector or by the state during highway construction. Commissioner Abbott said there is a resident inspector on site for large projects, and a staff person from the Division of Engineering and Contract Administration also periodically visits job sites during construction. Additionally, there is independent testing of various materials such as concrete pours. Commissioner Abbott said the state can seek liquidated damages, and when there is inferior workmanship, financial compensation is

sought. He noted that there were issues with the Elliott County prison (Little Sandy Correctional Complex). While the contractor corrected some of the problems, the state did retain some contract funds due to poor workmanship. In response to a further question from Senator Boswell, Commissioner Abbott said the Finance Cabinet has the right to suspend someone's right to bid on a project and that has been done on occasion.

In response to Mr. Cowgill's question as to whether there has been a comprehensive study of the procurement process for construction services in recent years, Commissioner Abbott said there has been discussion with the Secretary's Office about undertaking a review of KRS Chapter 45A relative to needed updates and improvements. Responding to a further question, Commissioner Abbott said the timetable for this assessment would be very aggressive in order to have changes to propose to the 2008 General Assembly.

Mr. Vanhook asked whether the Finance Cabinet would be supportive of a licensing requirement for contractors on state projects. Commissioner Abbott said they probably would not be opposed to such a requirement and that the Cabinet does exit interviews and tries to grade the contractors. However, he said it is difficult to disqualify someone without adequate documentation. Mr. Vanhook added that he would be happy to be involved in any discussion of setting standards for contractors.

Senator Westwood said this discussion has raised significant concerns and issues that the Board should examine further.

Returning to the issue of dormitory construction at KSU, President Sias said she has been reviewing the numbers further and determined the problem is that KSU does not need to construct on a scale large enough to produce the income necessary to pay both debt service and operating costs. Mr. Vanhook asked if there is a model that would allow construction of a smaller facility that could be expanded when future needs arise. President Sias said she came from a larger institution where that was done - the core central area was part of the initial construction and more wings were added as needed. She said this is more efficient than the approach now being used for small construction projects.

In response to questions from Mr. Cowgill, President Sias said approximately 47 percent of the freshman class lives on campus. It is a requirement for freshmen and sophomores unless they are married or have a child. She said retention rates decline when students live off campus. She said the availability and quality of housing is an important consideration for prospective students. There is also a concern that room and board costs not be so high that students are priced out of the market.

President Sias said KSU has been doing a better job of recruiting, and the goal is to have a freshmen enrollment of 700 next year and 1,000 in the future. She said at a total

enrollment of approximately 4,400 - which is likely with a freshman enrollment of 1,000 - there are economies of scale and the cost per student is about the same regardless of the institution. KSU can achieve the 2020 goals ahead of schedule if provided the needed infrastructure. She said the university has many old buildings and, in some instances, it would probably be more cost effective to replace rather than renovate.

President Sias concluded by noting that KSU is the only university in Frankfort and is the people's university; it needs to be better able to serve the citizens of the Commonwealth.

Senator Westwood thanked President Sias for her presentation and said he was confident that KSU would achieve its 2020 goals ahead of schedule.

Senator Westwood noted that since its establishment the CPAB has tried to ensure that state agencies are housed as effectively and efficiently as possible. He then introduced Jim Abbott, Commissioner of the Department for Facilities and Support Services, to provide an update on those efforts in Frankfort. Commissioner Abbott was accompanied by Deputy Commissioner Ken Marks.

Commissioner Abbott said about 10 years ago two goals were set based on a study completed by Fantus Consulting. The first goal was to reduce the state's dependency on housing agencies in leased space in Frankfort, and the second was to renovate existing state facilities to address issues of functional obsolescence. He then referenced the handout that had been distributed to CPAB members.

Commissioner Abbott reviewed the first page of the handout, which identified the age of major state-owned buildings in Frankfort and their current status relative to functional obsolescence renovations. While some items such as the roof and utility tunnels are being addressed, the overall project to renovate the Capitol is on hold. The State Office Building renovation is scheduled to be completed in September 2007, and the use of modular furniture will allow it to house approximately 1,200 staff rather than the 800 it housed prior to the renovation. Funding was provided in the 2006-08 budget to design the renovation of the Capital Plaza Complex including the office tower, fountain place and the civic center/arena. Buildings in the CHR Complex that were initially planned for major renovation have now been addressed using maintenance funds and energy savings performance contracts, thus extending their useful life by at least 15 years and deferring major renovation needs. Renovation of the Jones Building is also underway. It is to be completed by July 2007 and will allow de-population of the nearby state data center so that facility on Cold Harbor Drive can return to a focus on housing technology equipment rather than staff.

Noting that the Centralized Laboratory Facility is fairly new, Senator Boswell asked if it had any major renovation needs. Commissioner Abbott responded that some

work is being done on the HVAC system and on the building envelope, but major renovation is not needed.

Commissioner Abbott explained that the second page of the handout listed additional construction projects identified as being needed to address the goal of reducing leased space. Completion of the new Transportation Cabinet Office Building (TCOB), the Public Service Commission (PSC) Building, and the Kentucky Higher Education Assistance Authority (KHEAA) Building provided a total of 545,000 SF of space. Additional facilities that have been proposed but not funded are a new three-building office complex on Sower Boulevard that would provide an additional 381,000 SF, and an Executive Office Building on the Capitol Campus that would not provide any additional space but would allow the population of the Capitol to be reduced.

The final project listed as providing additional space is the renovation of the 25,000 SF Jones Building. Commissioner Abbott said the renovation is being financed using amounts from the bond funded maintenance pool and agency operating funds. The work is being done by a combination of general contractor, DFSS personnel, and inmate labor such that it is costing 50 cents on the dollar of what it would have cost using the normal construction process. Responding to Senator Boswell's question, Deputy Commissioner Marks said the inmates are paid their standard rate which he thinks is \$5.00 per day.

Proceeding to the third page of the handout, Commissioner Abbott explained the graph showing the amount of leased vs. state space occupied by executive branch state agencies from 1980 projected to 2007 with completion of the State Office Building and Jones Building renovations. During the period, the state's property needs increased significantly, but in 2007 the square footage will be reduced below the 2004 level due to the increased density of employees being housed in the available space. This page also lists major factors causing changes in the amount of state owned and leased space in Frankfort. Commissioner Abbott noted that increases in leased space resulted from relocations of executive branch agencies from the Capitol Annex to provide more space for the legislative branch in the early/mid 1990s and in 2006. Additionally, in 1997 the Department of Mines and Minerals was relocated to Frankfort from the Spindletop facility in Lexington to provide space for the newly created Kentucky Community and Technical College System.

The final page of Commissioner Abbott's handout compared the Franklin County master plan as initially developed in 1997 to the new/revised plan developed in 2004. There was also an update on the current (2006) status of the plan's implementation. In 1997, the state was leasing 1,910,369 SF. Initial reductions included the cancellation of leases for 88,227 SF of warehouse space under the Empower Kentucky initiative and the reduction of 93,852 SF of office space with construction of the new TCOB, the PSC Building, and the KHEAA building. Another 20,000 SF of leased space was eliminated

when an existing facility was converted and used to consolidate state postal services from both leased and state owned locations. Completion of the State Office Building and the Jones Building renovations will reduce leased space by 373,000 SF and 25,000 SF, respectively. The proposed construction of new state facilities on Sower Boulevard would reduce leased space by another 336,000 SF. Commissioner Abbott said the total reduction of 917,388 SF of leased space will not accomplish the goal of having 1.0 million SF or less in leased space. That goal was premised on zero growth, which has not been achieved because it has been necessary to move executive branch staff to leased space in Franklin County from state-owned space in the Capitol Annex and Spindletop as previously noted.

In response to Mr. True's question, Commissioner Abbott explained that to provide the additional space for the legislative branch, Personnel and Revenue were relocated from the Capitol Annex in the mid 1990s and Agriculture, Treasury, and the Division of Engineering and Contract Administration were recently moved out of the Annex.

Commissioner Abbott confirmed Mr. Hicks' statement that Personnel and Revenue would now be moving from leased space to the newly renovated State Office Building. He also confirmed that recent renovation projects are providing for a denser occupancy and a greater reduction of leased space than had initially been anticipated.

Mr. Cowgill noted that the reduction in leased space will be approximately 581,000 SF at this time since construction of a new Sower Boulevard complex - providing for an additional 336,000 SF reduction - has not yet been authorized. While noting that the figure at this point would be higher if the executive branch relocations from the Capitol Annex had not been required, he said the reduction to date is still a big achievement and represents a very significant physical transition.

Commissioner Abbott explained that the original plan had called for the TCOB to come online first. The State Office Building would then be renovated and occupied by tenants of the Capital Plaza Tower (CPT). Next the CPT would be renovated and thereafter occupied by tenants of one-half of the Cabinet for Human Resources (CHR) complex. Finally that half of the CHR complex would be renovated then occupied by tenants of the other half while it was renovated. The reduction of leased space would not occur until all of these renovations had been completed. The Commissioner noted that in 2004 it was decided to accelerate the vacating of leased property by moving employees from leased space to the State Office Building immediately upon completion of its renovation. The plan now is not to relocate all tenants from the CPT at the same time. Instead, the renovation will be done by vacating and renovating two to four floors of the facility at a time. This was not feasible for the State Office Building renovation because of the asbestos abatement and environmental issues that were involved.

Senator Westwood asked about the status of the Capital Corridor development and the Franklin County riverfront development feasibility study that had been authorized in the 2004-06 budget. Commissioner Abbott explained that some of the properties needed to create a Capital Corridor along Old Lawrenceburg Road from the East-West Connector to the Capitol Parking Garage have been purchased. Since purchases are only being made from willing sellers and eminent domain will not be used, this will be a long process. He said he would forward to the Board information about the feasibility study.

Senator Westwood thanked Commissioner Abbott for his presentation. Ms. Ingram reported that the next CPAB meeting had been scheduled for Wednesday, December 6, and would include a presentation by the Commerce Cabinet.

There being no further business, the meeting was adjourned at 12:15 PM. Following the meeting, there was a tour of the KSU campus for those wishing to participate.